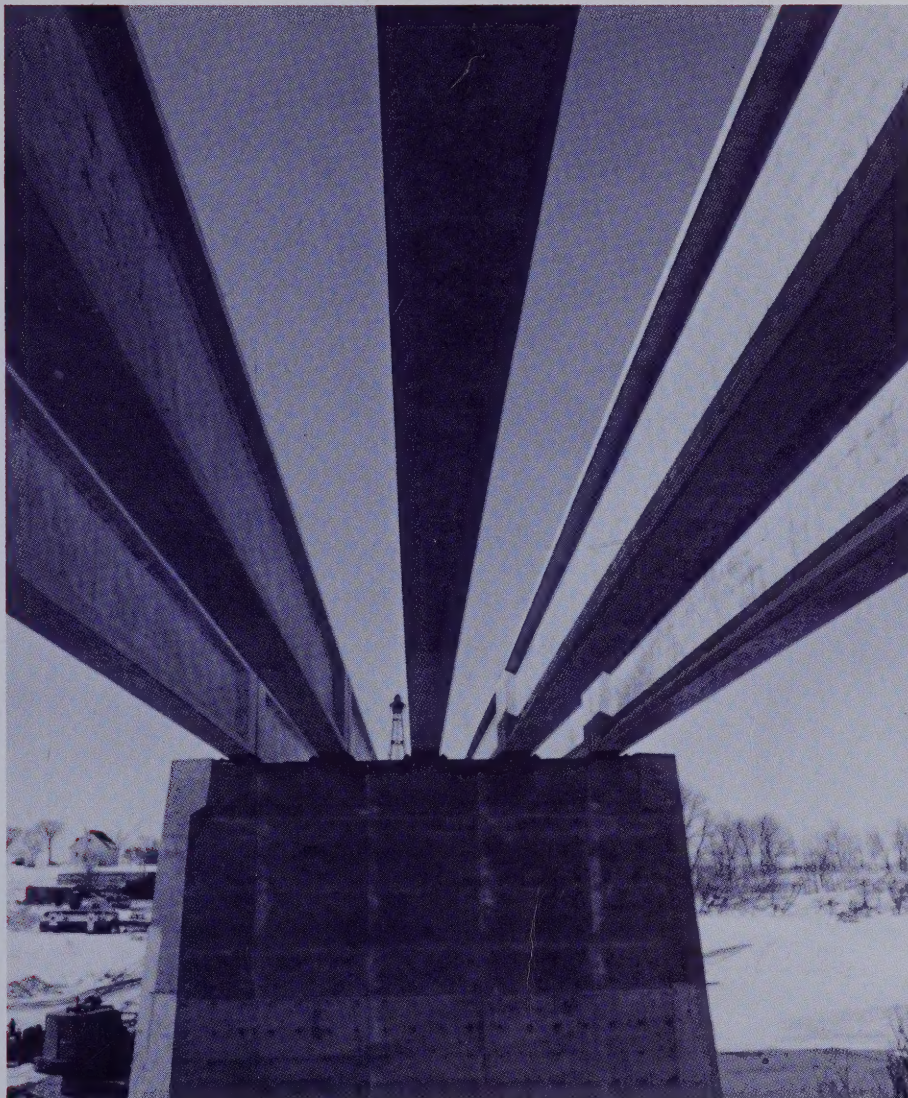




SUPERCRETE LTD.
ANNUAL REPORT
1974

SUPERCRETE LTD. ■ ANNUAL REPORT 1974

Financial Highlights

	Year ended December 31,	
	1974	1973
	(in thousands of dollars)	
Sales	\$20,560	\$14,205
Consolidated net earnings	\$1,010	\$680
Working capital at end of year	\$1,583	\$1,231
Shareholders' equity at end of year	\$6,522	\$5,677
Common shares outstanding	1,649,833-2/3	1,649,833-2/3
Number of common shareholders at year end	3,354	3,400
Per Share		
Consolidated net earnings	\$0.61	\$0.41
Dividends	\$0.10	\$0.10
Shareholders' equity at year end	\$3.95	\$3.44

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the head office of the Company, 222 Provencher Avenue, Winnipeg, Wednesday, April 30, 1975 at 2:30 p.m.

A copy of the Company's 1974 report filed with the Securities and Exchange Commission, on Form 10-K, is available to shareholders on request. This report can be obtained by writing to Supercrete Ltd., 222 Provencher Avenue, Winnipeg, Manitoba R2H 0G5.

Front cover—121'-2" long by 72" deep "I" girders, weighing 57.5 tons each, manufactured by Supercrete Ltd. for the Manitoba Department of Highways St. Adolphe Bridge Project.

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 SUPERCRETE LTD.

WINNIPEG, MANITOBA

EDMONTON, ALBERTA

CALGARY, ALBERTA

NEWS RELEASE

	<u>1974</u>	<u>1973</u>
<u>Quarter ended June 30</u>		
Per Share Earnings (after taxes)	\$0.194*	\$0.152
Sales	\$4,873,000	\$3,904,000
Net Income Before Tax	\$499,000*	\$467,000
Provision for Income Taxes	\$179,000	\$217,000
Net Income	\$320,000*	\$250,000
<u>6 Months ended June 30</u>		
Per Share Earnings (after taxes)	\$0.096*	\$0.114
Sales	\$7,407,000	\$5,917,000
Net Income Before Taxes	\$198,000*	\$343,000
Provision for Income Taxes	\$40,000	\$154,000
Net Income	\$158,000*	\$189,000

* 1974 income figures include \$115,000 extraordinary income (net of taxes) resulting from the sale of a parcel of vacant land.

The Company's operations are seasonal in nature and the results of the first six months' operations are often not representative for the year.

Extremely harsh weather conditions throughout the first five months of the year have resulted in increased costs and, accordingly, have depressed the earnings of the Company.

The outlook for the remainder of the year is encouraging and a high level of activity is anticipated.



To Supercrete Shareholders:

Your Directors take pleasure in presenting the consolidated financial statements of your Company and its subsidiary for the year ended December 31, 1974, together with the Auditors' report.

1974 has been a record year for your Company. Sales of \$20,559,859 in 1974 represent an increase of 45% over 1973 sales of \$14,204,986. After providing for depreciation of \$750,354, the net earnings for the year amounted to \$1,010,000 (61c per share), an increase of 49% over 1973 earnings of \$680,182 (41c per share). The major factor in this substantial improvement was the increasing contribution to both sales and earnings being made by your subsidiary company in Alberta.

Consolidated working capital increased by \$352,104 to \$1,582,731 at December 31, 1974 and reflects the strong liquid position of the Company. This increase in working capital is especially significant considering that expenditures on property, plant and equipment totalled \$1,208,441 (net of disposals). The benefits from these capital expenditures are reflected in the operating results through increased sales and cost efficiencies and these benefits, hopefully, will become more evident throughout 1975.

Mr. D. G. Griffin, Vice-President, Western Region, Canada Cement Lafarge Ltd., was appointed a director of the Company on November 6, 1974, replacing Mr. John D. Redfern who resigned as a director following his appointment as Vice-President of Operations of Canada Cement Lafarge Ltd. in Montreal.

We are forecasting further improvements in results for 1975 and work on hand carried into 1975 is well in excess of that carried forward in previous years. Many new products are being developed in the prestressed precast concrete products field. For example, major tenders have recently been called for prestressed concrete transmission poles and prestressed concrete railroad ties. Your Company expects to participate in these new developments.

The Directors express their sincere thanks to the employees, customers and suppliers for their continued efforts and contributions to the welfare of the Company.

On Behalf of the Board

FRANK M. FOWLER
President



Head office in Winnipeg, Manitoba.

Price Waterhouse & Co.

chartered accountants

2200 One Lombard Place Winnipeg Man. R3B 0X7 (204) 943-7321 Telex 07-587728

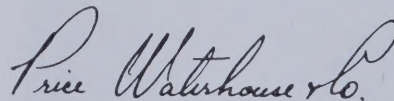
February 14, 1975

AUDITORS' REPORT

To the Shareholders of
Supercrete Ltd.:

We have examined the consolidated balance sheets of Supercrete Ltd. and its subsidiary company as at December 31, 1974 and 1973 and the related consolidated statements of earnings and retained earnings and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company and its subsidiary as at December 31, 1974 and 1973, the results of their operations and the changes in financial position for the years then ended, in accordance with generally accepted accounting principles applied on a basis consistent with those of the preceding year.

A stylized, handwritten signature in dark ink that reads "Price Waterhouse & Co." in a cursive script.

Chartered Accountants

SUPERCRETE LTD. *and its subsidiary company*

Consolidated Statement of Earnings and Retained Earnings

	Year ended December 31	
	<u>1974</u>	<u>1973</u>
Sales and other income	\$20,559,859	\$14,204,986
Cost of sales and expenses:		
Cost of sales, exclusive of depreciation and depletion shown below	16,559,973	11,245,905
Selling, general and administrative expenses	1,206,789	944,971
Depreciation and depletion	750,354	628,728
Amortization of excess purchase price	13,253	13,213
Gain on sale of fixed assets	(120,779)	—
Interest:		
On long-term debt	36,400	37,916
On bank indebtedness	369,931	154,252
	<u>18,815,921</u>	<u>13,024,985</u>
 Earnings before income taxes	 1,743,938	 1,180,001
Income taxes:		
Current	492,738	371,961
Deferred	241,200	127,858
	<u>733,938</u>	<u>499,819</u>
 Net earnings for the year	 1,010,000	 680,182
 Retained earnings at beginning of year	 3,921,185	 3,405,880
Dividend paid (10c per share)	(164,883)	(164,877)
 Retained earnings at end of year	 <u>\$ 4,766,302</u>	 <u>\$ 3,921,185</u>
 Earnings per share	 <u>\$0.61</u>	 <u>\$0.41</u>

SUPERCRETE LTD.

Consolidated

ASSETS

December 31

	<u>1974</u>	<u>1973</u>
Current assets:		
Cash	\$ 57,420	\$ 7,455
Accounts receivable	4,364,801	3,046,674
Inventories (note 2)	3,453,238	2,379,212
Income taxes recoverable	—	89,105
Prepaid expenses	20,284	20,764
	<u>7,895,743</u>	<u>5,543,210</u>
Property, plant and equipment, at cost (note 3)	13,036,834	11,832,196
Less: Accumulated depreciation and depletion	<u>7,490,337</u>	<u>6,864,565</u>
	5,546,497	4,967,631
Excess of cost of investment in subsidiary over net tangible assets at date of acquisition, less amortization of \$26,466 (\$13,213 in 1973)	503,674	516,927
Approved by the Board:		
F. M. FOWLER, Director		
J. H. BORGER, Director		
	<u>\$13,945,914</u>	<u>\$11,027,768</u>

Balance Sheet

LIABILITIES

December 31

	<u>1974</u>	<u>1973</u>
Current liabilities:		
Bank indebtedness, secured (note 4)	\$ 3,500,000	\$ 2,823,067
Accounts payable and accrued liabilities	2,271,534	1,223,416
Income taxes payable	236,778	—
Deferred income taxes	304,700	266,100
	<u>6,313,012</u>	<u>4,312,583</u>
Long-term debt (note 5)	390,000	520,000
Deferred income taxes	720,700	518,100
Lease commitments (note 6)		
	<u>7,423,712</u>	<u>5,350,683</u>

SHAREHOLDERS' EQUITY

Capital stock:		
1,649,833-2/3 common shares — par value 75c each (authorized —1,666,666-2/3 shares)	1,237,375	1,237,375
Contributed surplus	518,525	518,525
Retained earnings	4,766,302	3,921,185
	<u>6,522,202</u>	<u>5,677,085</u>
	<u>\$13,945,914</u>	<u>\$11,027,768</u>

SUPERCRETE LTD. *and its subsidiary company*

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1974	1973
Working capital was provided by:		
Operations —		
Net earnings for the year	\$1,010,000	\$ 680,182
Depreciation and depletion	750,354	628,728
Amortization of excess purchase price	13,253	13,213
Increase in non-current portion of deferred income taxes	202,600	94,094
Gain on sale of fixed assets	(120,779)	—
Funds provided by operations	1,855,428	1,416,217
Promissory notes issued, less \$130,000 repaid	—	520,000
	1,855,428	1,936,217
Working capital was applied to:		
Purchase of subsidiary company — cost of shares, less working capital of the subsidiary company at date of acquisition	—	1,185,295
Payment on long-term debt	130,000	—
Expenditure on property, plant and equipment — \$1,568,079, less proceeds of \$359,638	1,208,441	970,559
Dividend paid	164,883	164,877
	1,503,324	2,326,731
Increase (decrease) in working capital	352,104	(390,514)
Working capital at beginning of year	1,230,627	1,621,141
Working capital at end of year	<u>\$1,582,731</u>	<u>\$1,230,627</u>

Notes to the Consolidated Financial Statements

December 31, 1974 and 1973

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES:

Principles of consolidation —

The consolidated financial statements include the accounts of Supercrete Ltd. and its wholly-owned subsidiary company, Supercrete (Alberta) Ltd. In 1973 the Company adopted the policy of amortizing over 40 years the excess of the cost of its investment in the subsidiary company over net tangible assets at date of acquisition.

Revenue recognition —

Revenue from sales of ready-mixed concrete, block, pipe, aggregate and other products is recorded at the time of shipment. Revenue from construction contracts is recorded when identifiable sections of the contracts are completed or when the whole contract is substantially completed. Losses are provided for as soon as they become evident.

Inventories —

Finished goods and raw materials are stated on the basis of the lower of average cost and estimated realizable value. Merchandise, supplies and spare parts are stated at the lower of cost (on a first-in first-out basis) and replacement cost.

Property, plant and equipment —

Property, plant and equipment are carried at cost. Expenditures for renewals and betterments to existing assets are capitalized at cost. Assets retired or otherwise disposed of, together with related amounts of accumulated depreciation, are removed from the accounts. Profits or losses on sales of properties are shown in the statement of earnings. Maintenance and repairs are expensed as incurred.

Depreciation and depletion —

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. The rates used are as follows:

Yard improvements	4%
Buildings, depending on type of construction	5% or 10%
Equipment, depending on type	10% to 20%

Depletion is provided on gravel and sand pits on the basis of quantities used in relation to estimated total usable quantities at each pit. Leasehold improvements are written off over the terms of the leases including the first renewal period, if any.

2. INVENTORIES:

	1974	1973
Finished goods and merchandise	\$ 1,172,545	\$ 999,788
Raw materials and manufacturing supplies	1,717,434	974,175
Plant supplies and spare parts	232,931	170,476
Incomplete contracts, at cost, less \$347,540		
progress billings (1973 — \$290,458)	330,328	234,773
	<u>\$ 3,453,238</u>	<u>\$ 2,379,212</u>

3. PROPERTY, PLANT AND EQUIPMENT:

	1974	1973
Land	\$ 477,697	\$ 496,716
Gravel and sand pits	106,761	243,368
Yard improvements	592,338	303,279
Buildings	2,018,396	1,814,529
Machinery and equipment	7,777,226	7,172,783
Moulds, dies and jigs	1,650,104	1,469,593
Construction in progress	182,646	100,262
Leasehold improvements	231,666	231,666
	13,036,834	11,832,196
Less: Accumulated depreciation and depletion	7,490,337	6,864,565
	<u>\$ 5,546,497</u>	<u>\$ 4,967,631</u>

4. BANK INDEBTEDNESS, SECURED:

Accounts receivable and inventories are pledged as security.

5. LONG-TERM DEBT:

Promissory notes totalling \$390,000 (1973 — \$520,000) are payable \$130,000 annually on December 31 to 1977, together with interest at 7%.

6. LEASE COMMITMENTS:

The Company is committed under property lease agreements for periods up to eight years at a minimum annual rental of \$96,100 with options to renew certain leases for further periods up to 27 years at varying rentals.

7. INFORMATION REQUIRED BY STATUTE:

Remuneration of directors, officers and senior employees — \$155,000 (\$127,000 in 1973).



Portion of concrete products' inventory.



Part of Ready-Mix Concrete fleet.

Review of Supercrete Operations

The business of Supercrete is the manufacture and distribution of a full range of concrete products which are used in all types of commercial, industrial and residential construction as well as in the construction of bridges and other types of engineering construction.

The Company's operations are confined principally to the provinces of Manitoba and Alberta and Northwestern Ontario. Supercrete's head office and main plant facilities are located in Winnipeg, Manitoba with subsidiary operations in the cities of Calgary and Edmonton, Alberta. Due to climatic conditions the operations are seasonal in nature with employment ranging from 450 to 575 (total all locations) of which approximately 85% are directly involved in the manufacture and distribution of its products and 75% are represented by unions.

The following briefly summarizes the Company's operations in each of its locations:

Manitoba operations

Supercrete's operations in Manitoba encompass the manufacture and distribution of a full range of concrete and lightweight block, concrete pipe, precast and prestressed products, ready-mix concrete and aggregate products. In addition, the Company distributes various building supplies which are closely related to the products of its own manufacture.

Transportation costs generally limit the market for ready-mix concrete and aggregates to the Winnipeg area, which has a population of approximately 550,000; however, block, pipe and precast products are marketed throughout the province of Manitoba and in Northwestern Ontario. Approximately 80% of the Company's Manitoba business is done in the Winnipeg area. The Company distributes the majority of its products by its own fleet of trucks and by hired common carriers.

The concrete products industry is highly competitive in the Manitoba market where excessive production capacity relative to local market requirements exists. In addition, concrete products compete with other construction materials.

Supercrete produces its own aggregate requirements which it obtains from reserves located on lands leased from the Province of Manitoba. Known reserves of aggregate supplies are considered adequate to meet the Company's requirements for at least 50 years.

Alberta operations

Supercrete operates under the corporate name of Supercrete (Alberta) Ltd. with divisions in each of the cities of Calgary and Edmonton. Each location manufactures concrete pipe used principally in the construction of municipal sewer and drainage facilities.

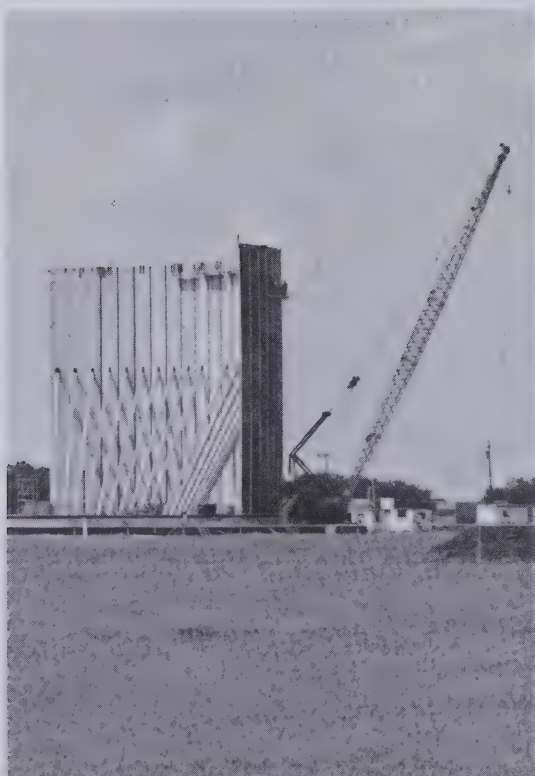
Edmonton precast operations are engaged mainly in the production of structural precast/prestressed products such as bridge girders and floor and roof slabs. Calgary precast operations comprise mainly the production of architectural precast wall panels and precast underground vaults for telephone and other communication installations.

The concrete pipe and precast/prestressed products industry is highly competitive in the Alberta market area; however, the rapid expansion of the Alberta economy, mainly as a result of oil and gas exploration and development, has resulted in all plants producing at full capacity. It is expected that this high level of economic activity will continue for the foreseeable future.

The following table indicates the composition of the Company's sales and pre-tax profits by line of business for each of the last five years.

Item	Percent of Total									
	1974		1973		1972		1971		1970	
	Sales %	Profits %	Sales %	Profits %	Sales %	Profits %	Sales %	Profits %	Sales %	Profits %
Supercrete Ltd.										
Block, pipe and precast (Note 1)	28	26	33	26	43	28	45	37	53	40
Ready-Mix and aggregate (Note 2)	24	33	30	48	38	67	45	65	41	53
Other	3	3	4	5	5	4	5	4	6	7
Supercrete (Alberta) Ltd.										
Pipe and precast (Note 1)	45	38	33	21	14	1	5	(6)	—	—
Total	100	100	100	100	100	100	100	100	100	100

- Notes: 1. Because of the similarity of products, methods of manufacture, common production and sales overheads, it is impractical to segregate the pre-tax profits of each particular product line.
2. Ready-mix and aggregate operations are grouped as approximately 55% of the aggregates produced are transferred to and consumed by the ready-mix division.



Erection of 80-foot prestressed concrete panels for liquified gas storage tank.



Highway unit carrying large diameter concrete pipe.



Prestressed Bridge Girder — 121' 2" long x 72" deep, weighing 57.5 tons, loaded for hauling to St. Adolphe Bridge site.

SUPERCRETE LTD. *and its subsidiary company*

Summary of Consolidated Statement of Earnings and Retained Earnings

	For the years ended December 31,				
	1974	1973	1972	1971	1970
Sales and other income	\$20,559,859	\$14,204,986	\$12,108,425	\$8,650,639	\$7,312,759
Earnings before income taxes ..	1,743,938	1,180,001	1,324,989	860,525	653,244
Income taxes	733,938	499,819	646,078	439,138	352,300
Net earnings for the year	1,010,000	680,182	678,911	421,387	300,944
Retained earnings at beginning of year	3,921,185	3,405,880	2,891,840	2,602,351	2,433,159
	4,931,185	4,086,062	3,570,751	3,023,738	2,734,103
Dividends paid	164,883	164,877	164,871	131,898	131,752
Retained earnings at end of year	\$4,766,302	\$3,921,185	\$3,405,880	\$2,891,840	\$2,602,351
Earnings per share (1,649,823-2/3 shares)	\$0.61	\$0.41	\$0.41	\$0.26	\$0.18
Dividends paid per share	\$0.10	\$0.10	\$0.10	\$0.08	\$0.08

Price Range of Common Stock

The Company's Common Shares have been listed on the American Stock Exchange since May, 1960.

The price range of the Company's Common Shares on the American Stock Exchange for each quarterly period during the last two calendar years is as follows:

	1974		1973	
	High	Low	High	Low
1st quarter	2-7/16	2	3-5/16	2-9/16
2nd quarter	2-3/8	1-5/8	3-1/8	2
3rd quarter	1-3/4	1-1/2	2-3/8	2
4th quarter	2	1-1/2	2-3/8	2
Yearly	2-7/16	1-1/2	3-5/16	2

Dividends

The Company paid annual dividends of \$0.10 per share in each of the years 1973 and 1974.

Management's Analysis of the Consolidated Statement of Earnings

1974 Compared to 1973

Consolidated sales volume increased by 44.7% over 1973. This increase was due principally to the high level of construction activity in the province of Alberta, where sales volume increased by 93.8% over 1973. The Winnipeg construction market was more active than in 1973, resulting in an increase in volume of 20.7% in the current year.

During 1974 a parcel of vacant land which had been purchased several years ago was disposed of and a net book profit of approximately \$120,000 was realized.

Interest expense on bank indebtedness increased substantially over 1973 due to both higher interest rates and increases in total borrowing required to finance higher levels of accounts receivable and inventories resulting from increased sales.

Earnings before income taxes increased by 47.8% over 1973. A slightly lower effective tax rate in 1974 resulted in a 48.5% increase in net earnings after taxes.

1973 Compared to 1972

Consolidated sales for 1973 increased 17.3% over 1972; however, 1973 sales include the Calgary operations which were not included in 1972. Net earnings before income taxes decreased by 10.9%. Major factors which affected 1973 income were reduced market volumes in the Winnipeg area of operations; the absorption of costs related to the acquisition and subsequent amalgamation of the Alberta-based companies; and increased interest expense as a result of increased bank borrowings and interest rates applicable to such loans, which were required to effect the purchase and expansion of the Alberta operations.

A significant reduction in corporate tax rates applicable to profits derived from Canadian manufacturing operations resulted in net earnings for the year 1973 being marginally in excess of 1972.

SUPERCRETE LTD. ■ ORGANIZATION

HEAD OFFICE — 222 PROVENCHER AVENUE, WINNIPEG, MANITOBA

DIRECTORS

FRANK M. FOWLER — General Manager and Director of Nelson River Construction Ltd.
(heavy construction contractor)

J. HENRY BORGER — President of Borger Industries Ltd. (contractors and engineers)

DESMOND G. GRIFFIN — Vice-President and General Manager, Canada Cement Lafarge Ltd.,
Western Region (cement manufacturers)

DONALD A. THOMPSON, Q.C. — Partner, Thompson, Dorfman, Sweatman (barristers and solicitors)

CHARLES P. SCHWARTZ, JR. — Financial and business consultant, Chicago, Illinois

OFFICERS

FRANK M. FOWLER, *President*

J. HENRY BORGER, *Vice-President*

DESMOND G. GRIFFIN, *Vice-President*

FRED R. DUNSMORE, *General Manager*

ERNEST REIMER, *Secretary-Treasurer*

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company
WINNIPEG, Canada

The Bank of New York
NEW YORK, U.S.A.

SOLICITORS

Thompson, Dorfman, Sweatman

AUDITORS

Price Waterhouse & Co.



SUPERCRETE LTD. ■ ANNUAL REPORT 1974